



DEPARTMENT FOR THE AGING

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New York, New York 10007 - 1392

Herbert W. Stupp
Commissioner

November 13, 1997

Cynthia L. Johnson
Cash Management Policy and Planning Division
Financial Management Service
U.S. Department of the Treasury, Room 420
401 14th Street, S.W.
Washington, D.C. 20227

Dear Ms. Johnson:

I am writing to comment on the U.S. Treasury Department's proposed rules regarding implementation of "EFT 99." The Department for the Aging was not prepared to give testimony at the time of your hearing on EFT 99 held in New York City on October 20. However, we found the hearing, as well as the materials that you provided, to be very informative. I hope that it is not too late to share our comments with you at this time.

The New York City Department for the Aging (DFTA) is the nation's largest federally-funded Area Agency on Aging in the nation, representing nearly 1.3 million older New Yorkers. We are also a New York City government agency. Through our more than 500 senior centers, case management agencies and other contractors, we provide congregate and home delivered meals, case management, health promotion activities, home care, transportation, and legal assistance. We also run a number of programs for seniors including the Senior Citizen Rent Increase Exemption Program, the Foster Grandparents Program, and the Elderly Crime Victims' Resource Center.

DFTA recognizes the importance of ensuring that seniors have the capability to access and use the new electronic banking technology. In preparation for the 1999 implementation date of the new federal law requiring that federal payments such as Social Security and SSI be transmitted through electronic funds transfer, DFTA and the Banking for Seniors Task Force have developed Banking 101, a project designed to give seniors a general introduction to banking. Banking 101 provides information to seniors about low cost Life Line accounts, ATM usage, writing checks and more. Technology has advanced rapidly in the banking industry, and we believe that seniors should not be left behind.

However, we have strong concerns about the impact of the new federal Electronic Funds Transfer law on seniors and the disabled, especially those with low incomes. Many seniors are

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likely to have established banking practices, and may be resistant to learning a new routine. Others opt not to maintain an account because of the cost. Bank accounts can be costly to maintain, especially for those who are unable to meet minimum balances. In addition, there are more frail or homebound individuals among the senior population than in the general population, and their needs and circumstances must be considered on an individual basis. We urge that the implementing regulations being proposed by the U.S. Treasury Department be written to ensure that the needs of seniors and the disabled are not overlooked. We have several concerns, as follows:

Cost to the Consumer and Terms of the Account

The law states that bank accounts for recipients of federal payments be made available at "a reasonable cost" to the account holder. "Reasonable cost" is not defined in the Treasury Department's proposed regulations. DFTA recommends that the Treasury Department's regulations define "reasonable cost" such that the costs associated with maintaining an EFT account are no greater than they would be for individuals who choose not to maintain such an account. We urge that the terms of these accounts be consistent with those of New York State's Basic Banking Law. This would ensure that financial institutions may not charge low income customers more than \$3.00 per month for services (we support a complete fee waiver of service charges for low income individuals); that customers be permitted up to 8 transactions each month without charge, plus unlimited free deposits; and that customers are not required to keep a minimum balance above \$.01.

According to estimates by the Treasury Department, the Federal government will save up to \$100 million a year in processing costs as a result of implementation of EFT 99. Furthermore, Senator Alfonse D'Amato has testified that EFT 99 will bring in \$7 billion a month in new money to financial institutions. This new influx of cash to banks combined with tremendous savings to the Treasury Department means quite a windfall for the federal government and financial institutions. Customers who are required to maintain an account under the new EFT law should not be expected to assume an increased financial burden.

Waiver Restrictions

The law permits individuals who were not receiving federal payments by electronic funds transfer to continue to receive payments by check if an EFT account would result in a financial hardship, or hardship based on a physical disability or geographic barrier. The law also permits individuals who already have an EFT account to obtain a waiver but only if their account was established on or before July 26, 1996. The Treasury Department has stated that they would leave it up to individuals to define their disability, and DFTA supports this position. However, we would like to see language in the regulations that would permit an even broader waiver that would include mental disability, and literacy or language barriers. Furthermore, individuals who establish an EFT account after July 26, 1996 and for whom such account subsequently becomes a hardship to maintain, based on one of the above criteria, should also be permitted to obtain a waiver.

Consumer Access to Financial Institutions

Many New York City neighborhoods have experienced closings of local branch offices by financial institutions seeking to trim costs. With EFT 99 in place, and the subsequent influx to

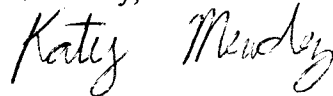
banks of billions of additional dollars in new accounts, it would be timely for banks to consider reopening some local branches.

Consumer Access to Information

As part of the EFT transfer period, we urge the Treasury Department to work together with financial institutions to publicize and explain the new law and regulations, providing information on how to obtain a waiver, as well as information about Life Line bank accounts.

The Department for the Aging is pleased that the Treasury Department has held these important hearings on implementation of EFT 99, and we appreciate your willingness to hear our concerns. Please do not hesitate to contact me if I can be of any assistance to you.

Sincerely,

A handwritten signature in cursive script that reads "Katy Mendez".

Katy Mendez
Legislative Coordinator

cc. Commissioner Herbert W. Stupp